The Business ANALYST

NOVEMBER 11
1949

A concise easily digested periodic analysis based on scientific research in business fundamentals and trends .... Constantly measuring and reporting the basic economic factors responsible for changes in trends... Current Studies... Surveys... Forecasts

Volume XVIII

Number 52

REAL ESTATE ECONOMISTS, APPRAISERS AND COUNSELORS

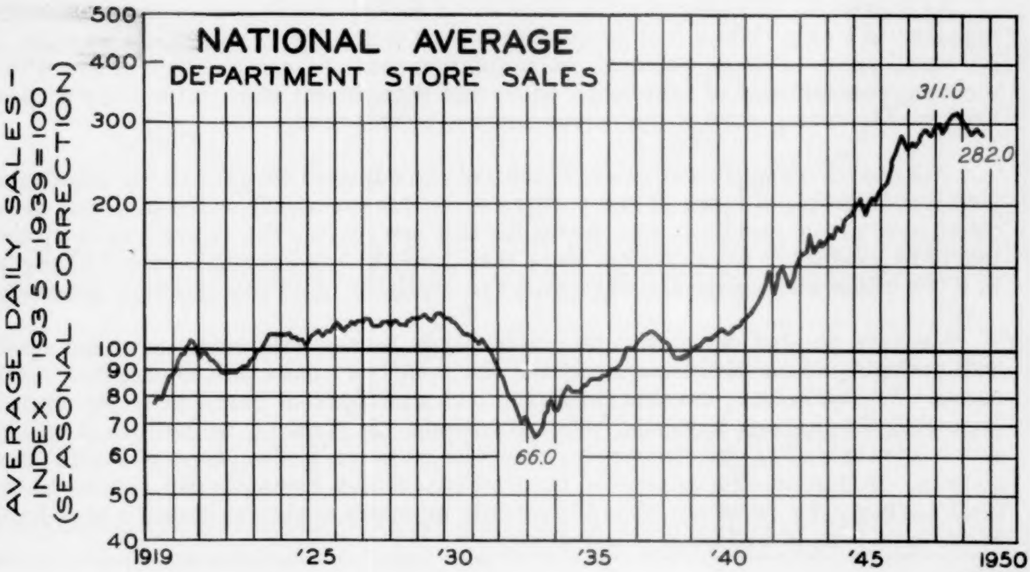
DEPARTMENT STORE SALES REFLECT 1949 SLUMP

IT is a well-known fact that department store sales are considerably affected by seasonal buying patterns of the general public. The most profound seasonal influence is, of course, the enormous increase in sales that usually takes place during the month of December due to the purchases of Christmas gifts. Another seasonal factor which influences department store sales to a lesser degree is the increased purchases at Easter time. Still another seasonal factor is the change in the weather that takes place during the year.

The figures that make up the charts on the following pages showing department store sales in 80 cities represent an index of average daily dollar volume and have been corrected to eliminate these seasonal fluctuations.

Through September of this year the national department store sales index is running about 8% below the first 9 months of 1948. Those cities in which depart-

(cont. on page 450)



VALUE ADDED BY MANUFACTURING BY STATES

VALUE added by manufacture provides the best basis for measuring the economic importance of various areas. It measures the contribution of manufacturing establishments to the value of the finished manufactured products. This value is arrived at by deducting the cost of materials, supplies, containers, fuel purchased, electric energy and contract work from the total value of shipments.

The two maps on page 460 show (1) the value added by manufacturing per capita by States; and (2) the percentage increase in value added by manufacturing from 1939 to 1947, also by States.

Although the Southern States are still relatively weak industrially, as shown by the map at the top of page 460, they have made a considerable increase in the value added to their manufactured products since 1939. This increase is reflected in the map at the bottom of page 460.

DEPARTMENT STORE SALES REFLECT 1949 SLUMP

(cont. from page 449)

ment store sales showed the biggest drop from their peaks are Canton, Ohio, 20%; Wheeling, West Virginia, and Rochester, New York, 17%; and Everett, Wash., 16%.

Not all cities have shown a decrease in department store sales during recent months. Since the end of 1948 the following cities have recorded an increase: Little Rock, Arkansas, and Fresno, California, 5.5%; Flint, Michigan, 2.7%; Sacramento, and San Diego, California, and Memphis, Tennessee, 2%; and Washington, D. C., and Tampa, Florida, 1%.

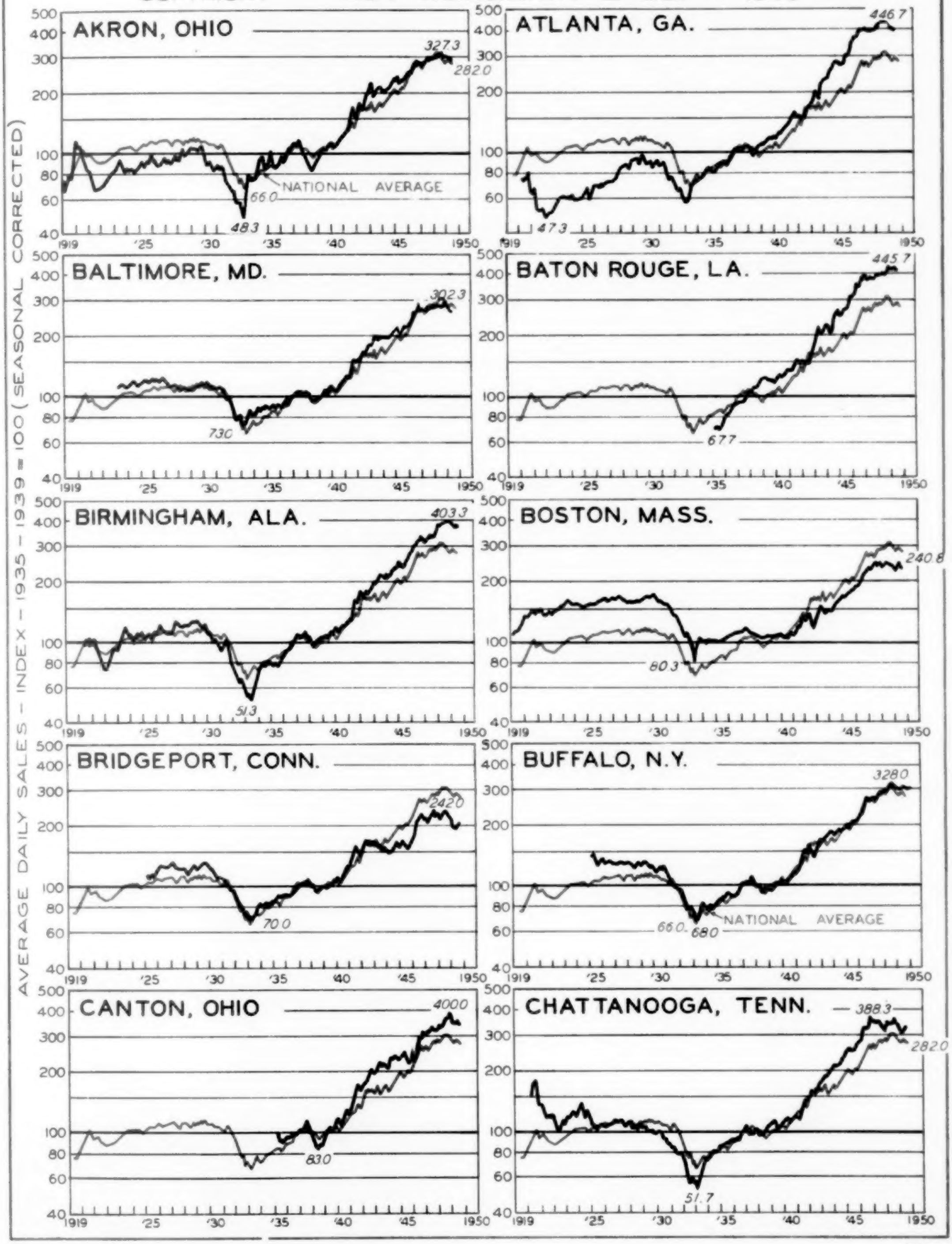
All retail sales including department store sales are feeling the effects of the steel and coal mining strikes, but these effects are naturally most pronounced in those areas where purchasing power is directly tied to the striking workers.

As a general rule, department store sales include about 10% of the total retail business in a city. While this percentage went a trifle higher during the war due to the small sales of tires, gasoline and building materials, and the lack of new automobiles, comparisons of total retail sales with department store sales show a close relationship during most of the period covered by this study.

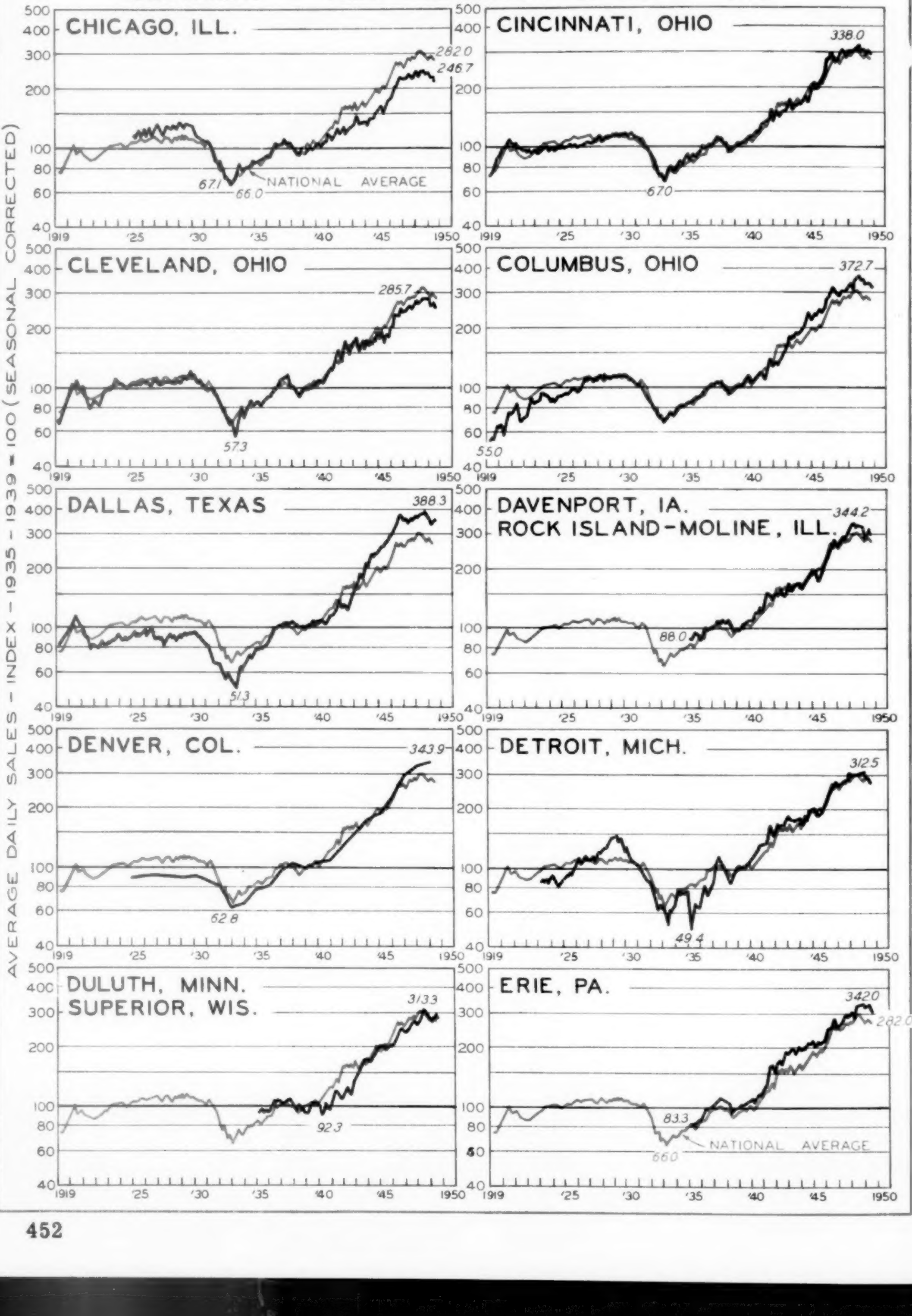
The charts on pages 451 through 458 are not adjusted in any way for population changes. The rapid rises in some cities were due primarily to the fact that these cities have grown rapidly in size during the last few years. The figures were plotted month by month for each city but were then smoothed to eliminate minor changes. In a few cities where only annual figures are available, the lines run very smoothly.

We have pointed out before that percentage leases with retail establishments will probably show declining rents for the next few years due to dropping retail sales. We, therefore, caution landlords and managers of retail property against renewing percentage leases on those locations. In general, we believe it will be more advantageous for the property owner to make a new lease at a high fixed amount. If this amount proves to be too high for the tenant to pay, it can, in the final analysis, be reduced. It will probably be much easier to obtain a high fixed rental now than it will be in a few years.

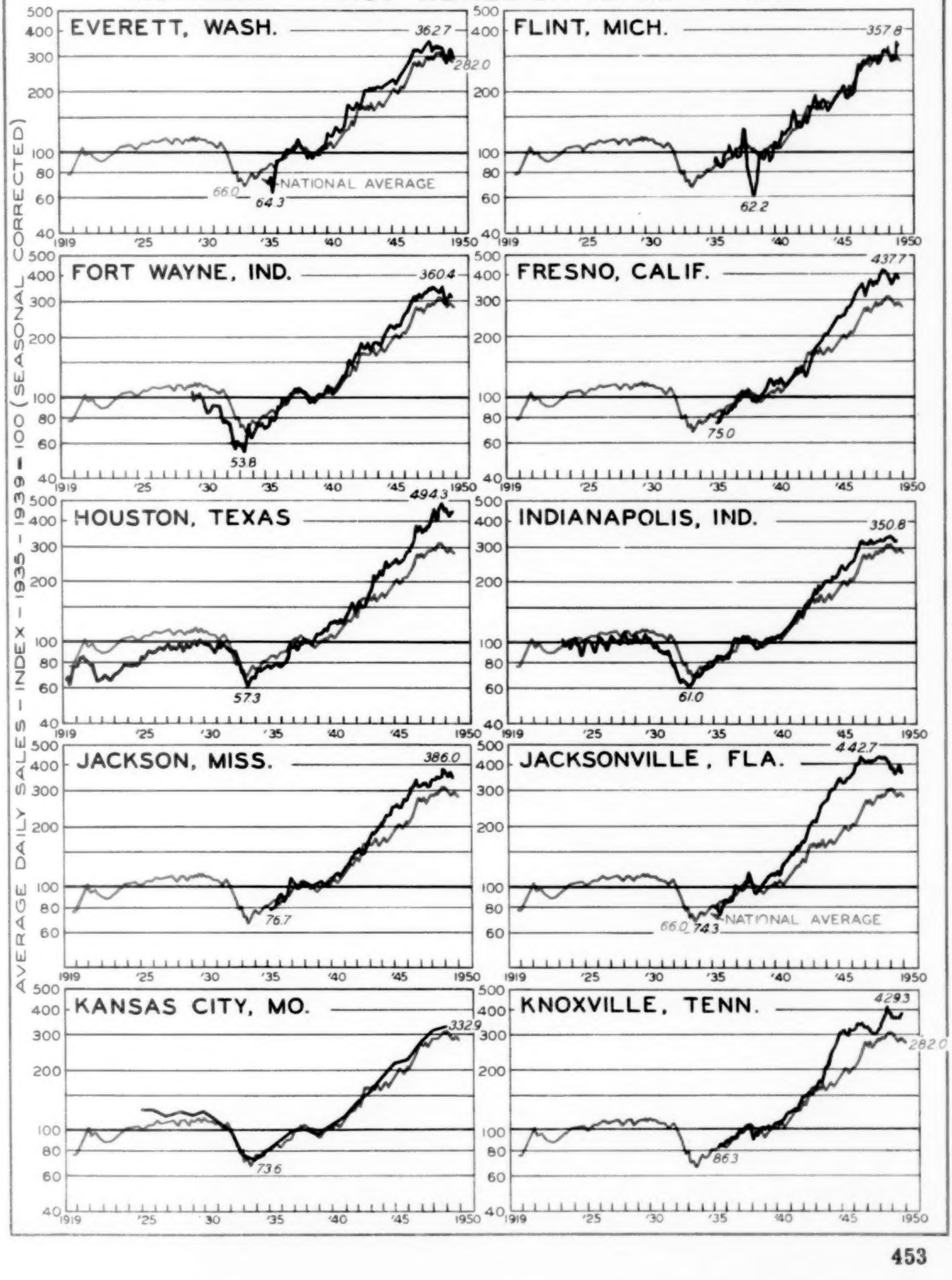
DEPARTMENT STORE SALES IN PRINCIPAL CITIES



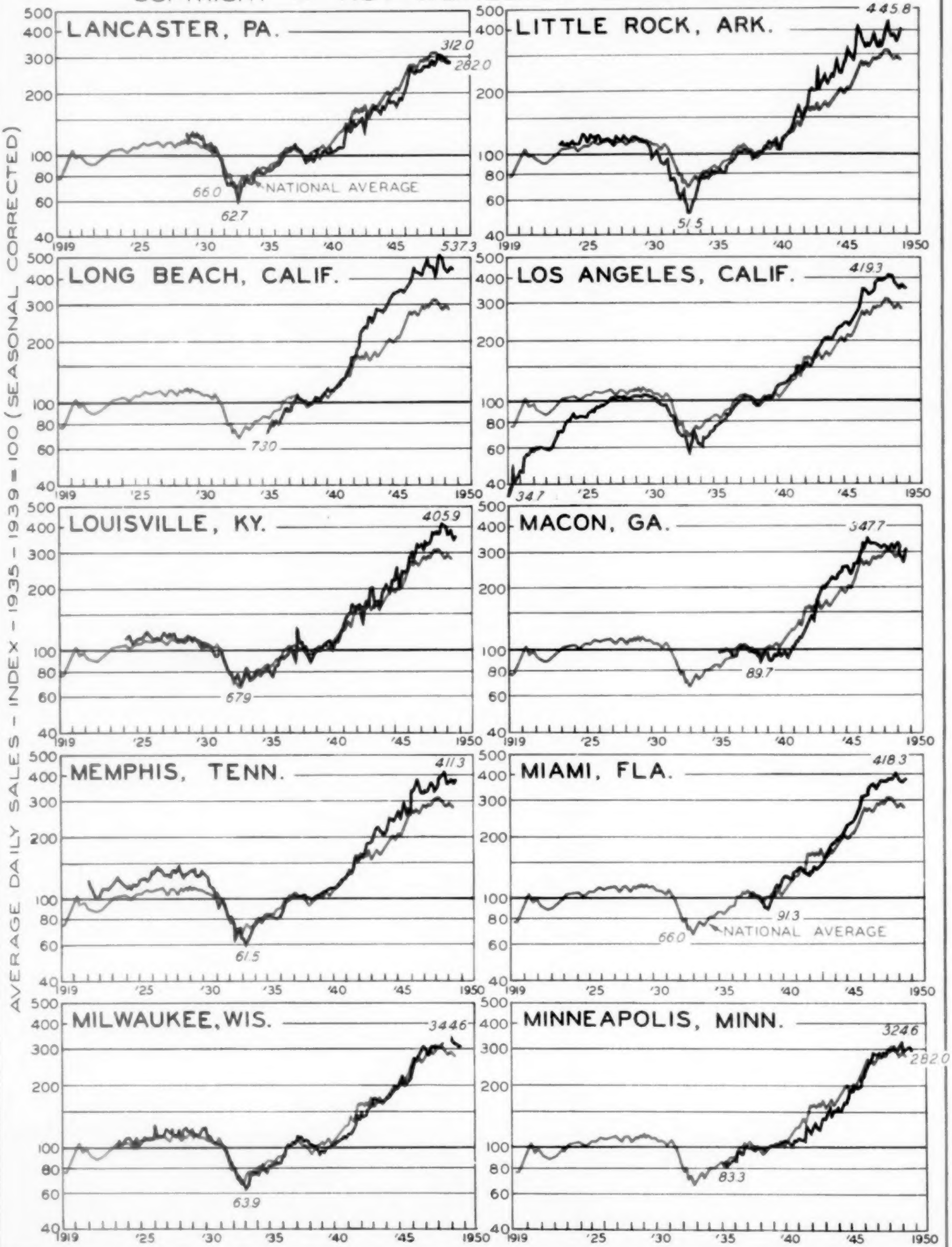
DEPARTMENT STORE SALES IN PRINCIPAL CITIES

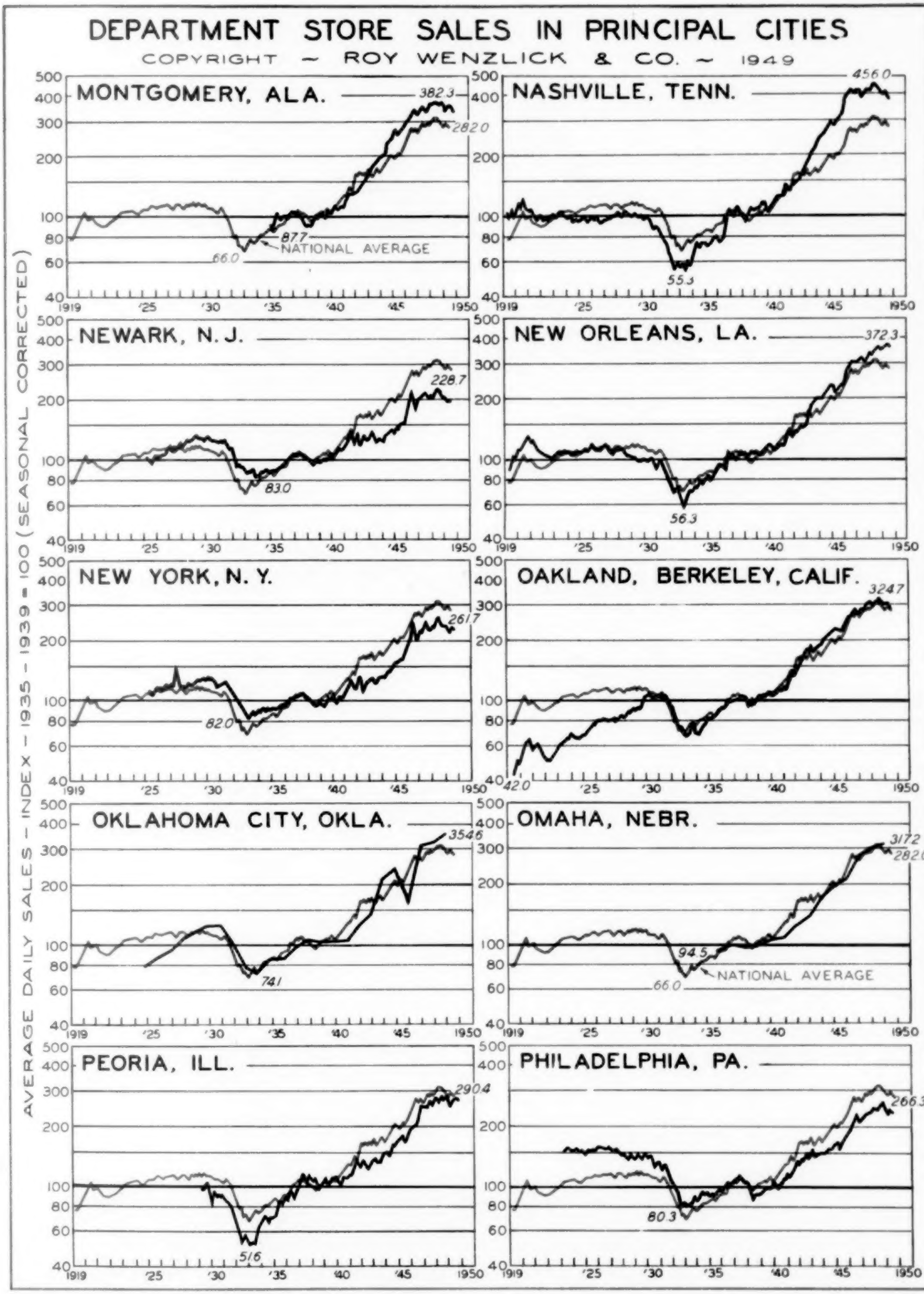


DEPARTMENT STORE SALES IN PRINCIPAL CITIES

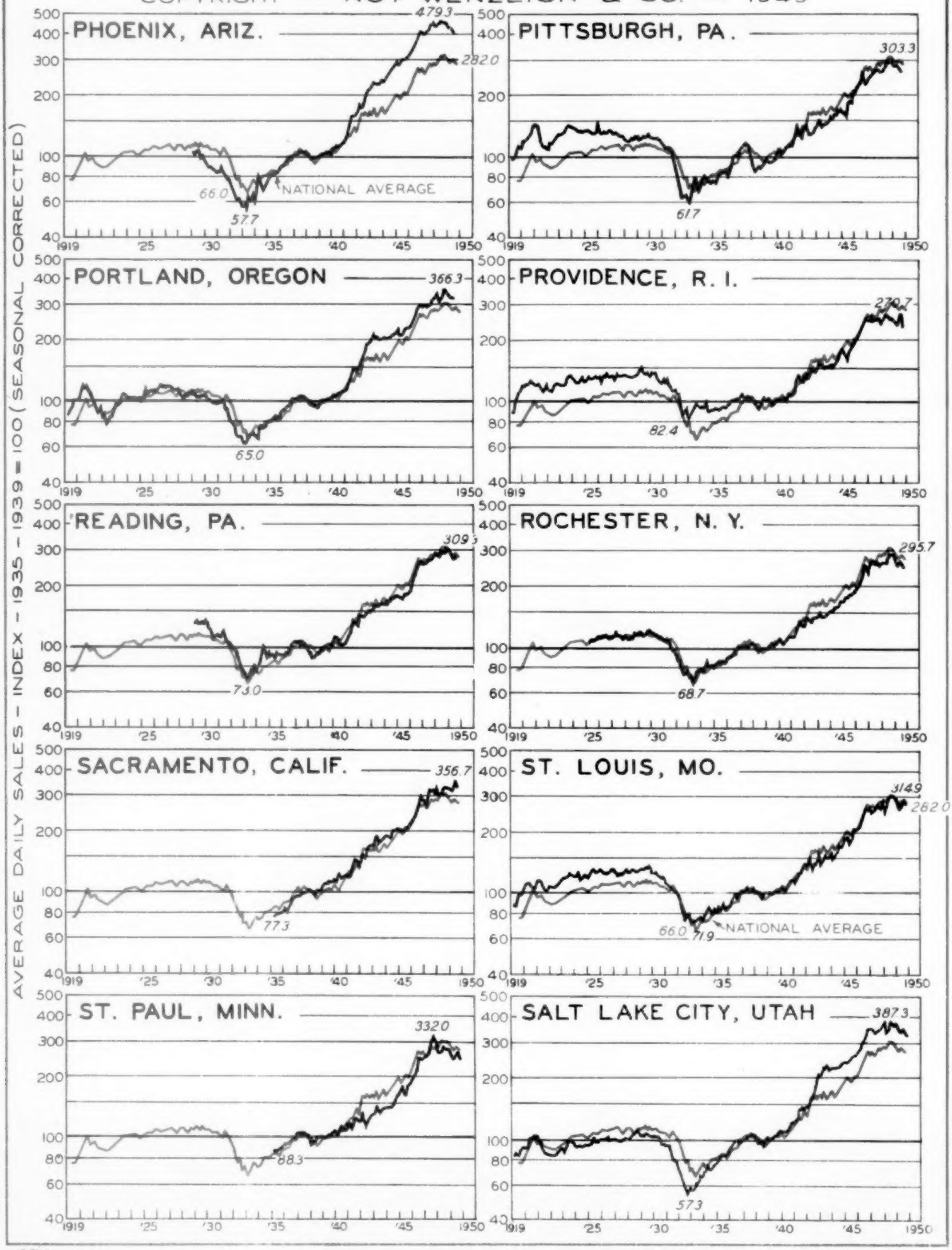


DEPARTMENT STORE SALES IN PRINCIPAL CITIES

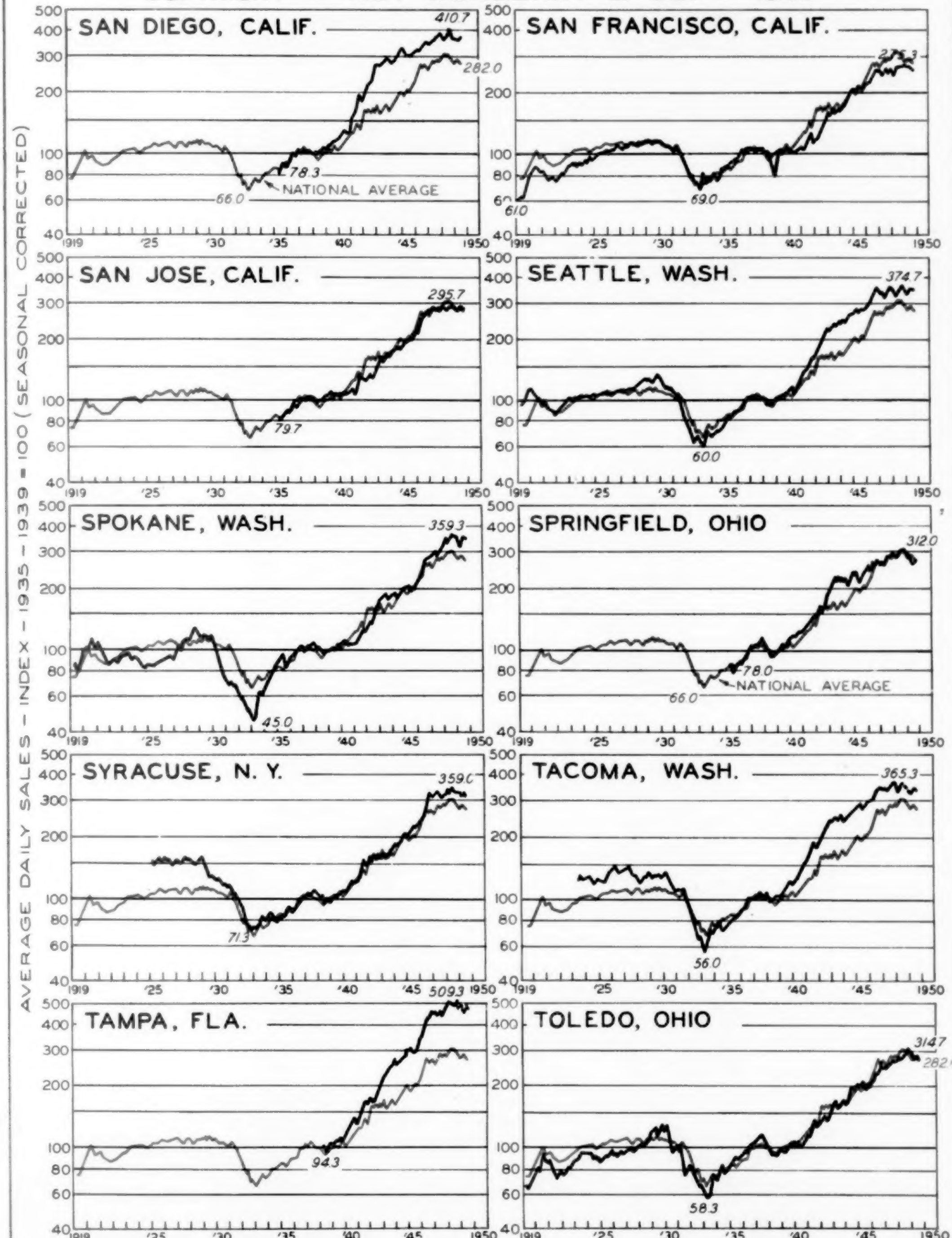



DEPARTMENT STORE SALES IN PRINCIPAL CITIES
COPYRIGHT ~ ROY WENZLICK & CO. ~ 1949
AVERAGE DAILY SALES – INDEX – 1935 - 1939 = 100 (SEASONAL CORRECTED)
MONTGOMERY, ALA.
382.3
282.0
87.7
NATIONAL AVERAGE
66.0
NASHVILLE, TENN.
456.0
55.3
NEWARK, N. J.
228.7
83.0
NEW ORLEANS, LA.
372.3
56.3
NEW YORK, N. Y.
261.7
82.0
OAKLAND, BERKELEY, CALIF.
324.7
42.0
OKLAHOMA CITY, OKLA.
354.6
74.1
OMAHA, NEBR.
317.2
282.0
94.5
NATIONAL AVERAGE
66.0
PEORIA, ILL.
290.4
51.6
PHILADELPHIA, PA.
266.3
80.3

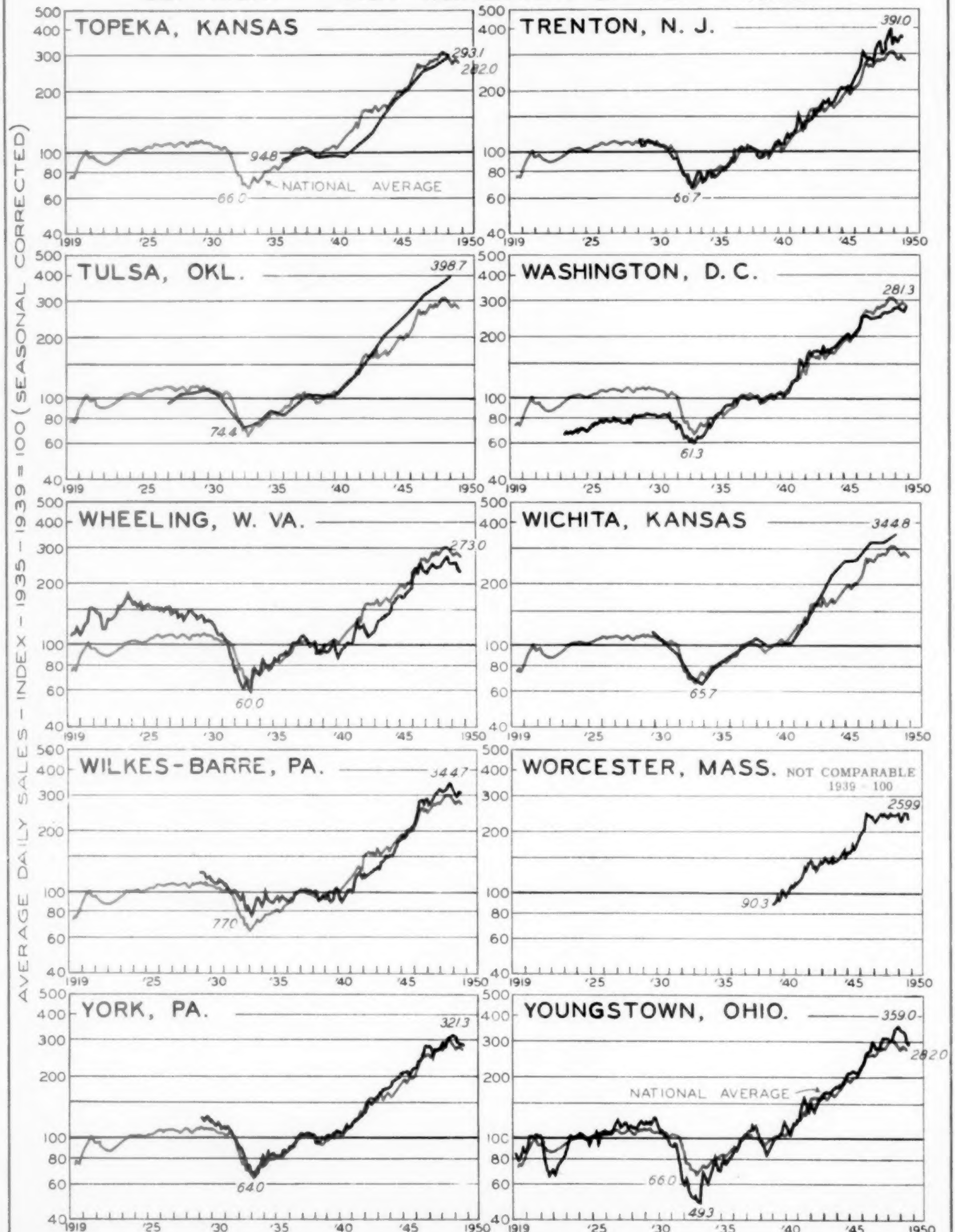
DEPARTMENT STORE SALES IN PRINCIPAL CITIES

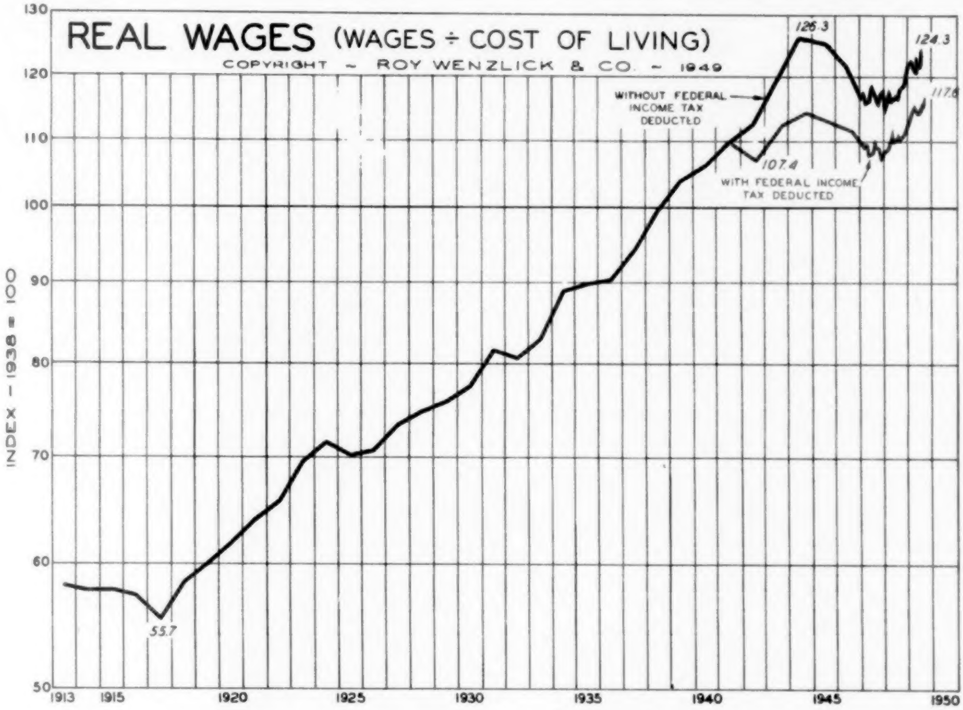


DEPARTMENT STORE SALES IN PRINCIPAL CITIES



DEPARTMENT STORE SALES IN PRINCIPAL CITIES





REAL WAGES REACH NEW ALL TIME PEAK

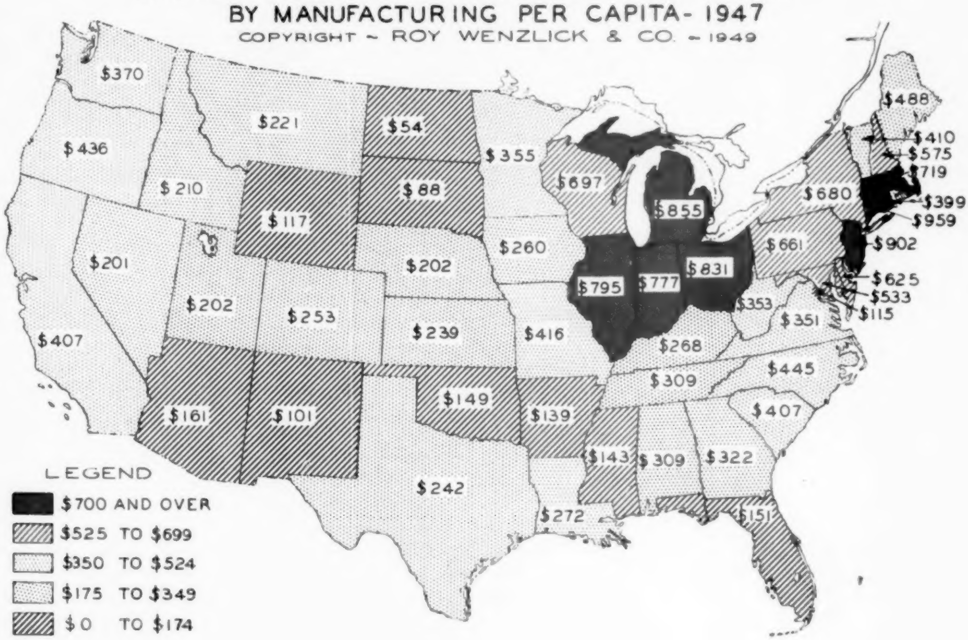
DESPITE the near-record-breaking heights of the cost of living, real wages, after Federal taxes, are at a new all-time high. The red line on the chart above represents wages adjusted for changes in the cost of living and after Federal income taxes are deducted. The blue line represents wages adjusted for changes in the cost of living before any tax deductions. The chart points out that wages of the average wage earner are today worth almost 20% more than they were in 1938. This is assuming that the wage earner has the income tax deductions that go with a wife and one child.

The "real wage" figures for this chart were derived by dividing the New York Federal Reserve Bank wage index by the Bureau of Labor Statistics consumer price index. This adjustment does away with the two variations (one, varying wage levels; and two, varying price levels) and leaves in their place a "real wage" line with a single variation. In other words, the variations in wages and in prices can be expressed in a single line. When that line rises it means that wages are rising faster than prices, or that wages are falling less rapidly than prices. When the line drops (as it did for a short period in the 1920's and again in the 1930's), it means that prices are rising faster than wages or that wages are falling at a faster rate than prices are falling.

Although the latest figures are for July and do not reflect recent price increases, we think that this real wage index will not show much drop by the end of the year.

STATES RANKED ACCORDING TO VALUE ADDED BY MANUFACTURING PER CAPITA - 1947

COPYRIGHT ~ ROY WENZLICK & CO. ~ 1949



STATES RANKED ACCORDING TO INCREASE OF VALUE ADDED BY MANUFACTURING PER CAPITA FROM 1939 TO 1947